Sectt. II-27—104,006—4-11-49.

Development (1951) Department.

Ms SERIES.

G.O. NO. 6040

Dated 7·12·'51

[Despatch Abstract.]

Industries - Sericulture - G.S.F. Kollegal - Sale of Silk Fabrics - Transfer of raw silk to the weaving section at less than the market rates - Proposal of the D.I.&C. Approved.

Industries and Commerce Department.

Dev. 75387/51
10.7.51

From:
Sri M.T. Raju Pantulu, I.C.S.,
Director of Industries &
Commerce, Madras State (Com.),
MADRAS-3.

To:
The Secretary to Government,
Development Department,
Fort St. George,
MADRAS-9.

Dis.No.873/D1/51-1 dated 27th June, 1951.
2nd July

Sir,

Subject: Industries- Sericulture- Government Silk Filatures- Kollegal- Sale of silk fabrics- Transfer of raw silk to weaving section at less than the cost rates- Ratification of- proposals.

I enclose herewith a copy of the Accountant-General's letter No.O.1-71-32/50-51/667 dated 16-2-1951 wherein the Accountant-General has pointed out a loss of Rs.800/- in the sale of silk fabrics in the Government Silk Filatures, Kollegal during the period November and December, 1949 as a result of the issue of raw silk from the Government Silk Filatures to the weaving section at a price lower than its cost of production and observed that necessary approval of Government may be obtained for the sale of silk below its cost of production.

2. Regarding the transfer of silk produced at the Government Silk Filatures, Kollegal to the weaving section attached ~~hereunto~~ thereto, the practice is to debit its cost at the rates ruling on the dates of the transfer. During the second half of 1949-50 when the prices of raw silk went up from Rs. 33/8/0 a lb. to Rs. 48/- a lb. owing to acute shortage of raw silk in the market without any corresponding increase in the prices of silk fabrics, the Agricultural Expert represented that if the then current rates of raw silk were to be charged in respect of the silk issued to the weaving section, there would be no demand for the silk fabrics, as the production cost would be high, and hence suggested that a uniform rate of Rs. 33/8/0 a lb. might be adopted for the raw silk issued to the weaving section. After studying the market conditions in Bangalore during one of his visits, my predecessor in office approved the proposal of the Agricultural Expert, and he was permitted to adopt a uniform rate of Rs. 33/8/-. Accordingly the Agricultural Expert, adopted this rate for a quantity of 419 lbs 3½ Ozs of raw silk transferred to the weaving section during the period from 19-7-49 to 16-3-1950. A copy of the Agricultural Expert's letter dated 10--4--1951, explaining the position, is attached. I agree with him that it was essential, to transfer the raw silk at the rate of Rs. 33/8/0 only having regard to market conditions then prevailing. I may mention here that the working of the Government Silk Filatures, for the year 1949-50 -vide Accountant-General's letter No.CA-71-32/50-51/671 dated 14-2-1951 addressed to Government -has resulted in a net profit of Rs. 1,01,497--1--7.

3. In the above circumstances, I request that Government may be pleased to ratify the adoption of a uniform rate of Rs. 33/8/0 at which 419 lbs. 3½ Ozs of raw silk was transferred to the weaving section during the period from 19th July, 1949 to 10th February, 50 instead of charging the rates ruling on the dates of transfer.

for Director of Industries & Commerce

ING/7-7
(encl: Nil).

9/7

Copy of the letter No.O.A-31-32/50-51/667 dated 16-2-1951 from the Accountant-General, Madras to the Director of Industries and Commerce, Madras.6.

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Subject:- Government silk filatures Kollegal- Fixation of price of silk farbics.

I enclose a copy of the note of the test Audit Superintendent, on the procedure followed at the Govt. silk filatures, Kollegal in regard to the fixation of price of silk fabrics. It will be observed that there has been a loss of over Rs.800/- in the sale of fabrics during November-December, 1949 above. As the procedure followed the effect of fixing issue prices below cost of production and involves Goverrment in recurring financial loss, it is considered that the approval of Govt. should be obtained in this and similar cases where issue rates are fixed below cost of production. Necessary approval of Govt. may kindly be obtained in regard to the case mentioned in the enclosed note.

Yours faithfully,

/true copy/

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mng/7.7.

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Copy of note:-

Sub: Fixation of price of silk fabrics.

The Director of Industries and Commerce, Madras reported to Government in his letter No.2123/D1/49 dated 24.7.1950, in reply to para IV of the audit report for 1948-49 that the procedure adopted in regard to transfer of raw silk to the weaving section on the selling or market rates on the date of issue may be allowed to continue. It is however noticed that a uniform rate of Rs. 33/-8- (enclusive of twisting charges) was adopted for the raw silk issued to weaving & rate of silk (20/22 rereeled) (based on the market fluctuations) was increased from time to time in the course of the year. The selling rate of silk was ranging from Rs. 38/- to 45/- till November, 1949 and it was increased to Rs. 48/- per lb. with effect from 19-11-1949 in Director's memorandum No.2732-D1/48 dated 24.11.1949. The cost of production of silk was also above Rs 33/8/0 vide details in the margin and the average cost of production for the whole year 1949-50 is much higher, Rs. 50-12-7. It is seen that the Director permitted the adoption of rate Rs. 33/8/0 in his endt. No. nil dated 19-7-49 vide S.E.'s letter of confirmation to the Director in 1098/Comml/4 dated 20-7-1949. Thus the silk incorporated in fabrics has been sold below the selling prices prevailing then in the market and below the cost of production also. As a result, there has been a loss of Rs 807/- in respect of fabrics manufactured out of the sil issued from 19-11-49 to end of December, 49 and sold during that period, as per details below:-

(★) section from 19-7-49 till the end of the year through the selling

C

Quantity issued.		Quantity sold.
507. 5/8 yds.	73-12¾ lbs.	382. 7/8
Loss at Rs.14/8/- per lb. (Rs.48- Rs.33/8) for 73-12¾ lbs.	--	Rs. 1070
Actual loss for the fabrics already sold out.	--	Rs. $\frac{1070 \times 382.7/8}{507.5/8}$

--- Rs. 807.

/true copy/

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mng/7-7.

80
1A/7

Dev. Defl.

Memo: 25387 M I/57-1 d. 17.7.57.

Sub: Industries Sericulture - G.S.F. Kollegal Sale of Silk fabrics - Transfer of raw Silk to the weaving section at less than the market rates

Ref. From the Dte. 876/DI/57 d. 2.7.57.

—x—

The Dte is requested to report the actual cost of production of the raw Silk issued to the weaving section during the period from 19-7-49 to 10-2-50, the ~~abstract~~ cost of the fabrics manufactured with that Silk based on its actual cost of production, the prices at which the fabrics were sold and the market price of similar fabrics at that time.

Dte 16.7.57 16.7.57.

To The Dte.

NR. 20.8.57
ER 21-8-57.

10

19/6/9.

Dev Dept

Memo: 75387 M1/ST-2 dated 6-9-87 By Issue

Sub: Industries - Sericulture - G.S.F., Kollegal - Sale of Silk fabrics - Transfer of raw silk to the weaving Section at less than the market rates - ratification of

Ref Govt. memo: 75387 M1/ST-1 Dev d. 17-7-87 / 9 above

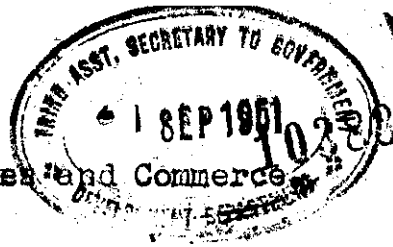
—x—

The attention of the Dtte is invited to the Govt. memo cited and he is requested to state before 20.9.87 when his reply in the matter may be expected

Dtte 9.87 @ 2.30.

Compld se 6/9/

To the DTC



Department of Industries and Commerce.

From:
The Director of Industries
and Commerce,
Cathedral P.O.,
Madras.6.

To:
The Secretary to Government,
Development Department,
Fort St. George,
Madras.9.

No.876/D1/51 dt. 18-9-51.

Sir,

Sub: Industries- Sericulture- Government Silk filatures- Kollegal- Sale of silk fabrics- Transfer of raw silk to the weaving section at less than the market rates.

Ref. Government Memorandum No.75387/M1/51-2 Development Department dated 4th September, 1951.

The matter has been referred to the Sericultural Expert, Government silk filatures, Kollegal calling for certain particulars and he has been reminded to submit his reply before 30th September, 1951. On hearing from him I shall send my reply to Government.

for Director of Industries and Commerce.

MNG/20.9.

A 5111

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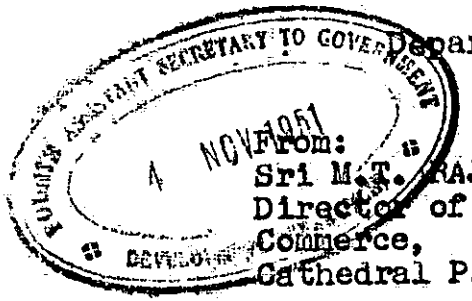

Department of Industries and Commerce.

120211

From:
Sri M.T. RAJU Bar-at-law, I.C.S.,
Director of Industries and
Commerce,
Cathedral P.O., MADRAS.6.

To:
The Secretary to Government,
Development Department,
Fort St. George,
M A D R A S.9.

No.876/D1/51. Dated 18th October, 1951.

Sir,

Sub: INDUSTRIES- Sericulture- Government silk filatures- Kollegal- Sale of silk fabrics- Transfer of raw silk to the weaving section at less than the market rates.

Ref: Government Memorandum No.75387-M1/51-1(Development) dated 17th July, 1951. ~ ¶9 above

¶15 below

The particulars called for in Government Memorandum referred to above are furnished in the statement enclosed.

V. J. Raghavan
for Director of Industries and Commerce

MNG/19.10.
(enclosure: One statement). ¶15 below
Copy to the Sericultural Expert, Govt. silk filatures, Kollegal for information.

Period.	Quantity of silk issued to weaving section.	Cost of production during the period.	Cost of silk issued to weaving section based on cost of production.	Rate actually adopted for working out the cost of silk issued in col.	Cost of silk issued to weaving section at the rate mentioned in col.	Cost of dyes, cost of gold lace, weaving charges etc., incurred during the period.	Cost of fabrics manufactured based on actual cost of production. (Col.4+ col.7.)	Cost of fabrics manufactured adopting the uniform rate of Rs. 3-8-0 (col.6+ col.7)	Difference. (col.8-col.9)	Our selling rates during the period.	Market rates for similar fabrics.
1	2	3	4	5	6	7	8	9	10	11	12
	lbs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
19-7-49 to 31-8-51	80—5*3/4	30—8—0	2,450-15-6	33—8	2,692-0-9	1,036-6-3	3,487-5-9	3,728-7-0	+ 241- 1- 3		
September 1949	72—7¼	39—9—1	2,866-12-8	33—8	2,427-2-11	1,025-9-3	3,892-6-2	3,452-12-2	- 439—10/		
October, 1949	31—9	43-11—7	1,380—0-6	33—8	1,057-5-6	648-7-10	2,028-8-4	1,705-13-4	— 322- 11-		
November 1949	76-10½	44-11—0	3425-9-2	33—8	2,567-15-9	1,640-9-2	5066-2-4	4,208-8-11	- 857-9-5 142-6-7		
December 1949	64-0 3/4	40-14- 0	2,617-14-8	33—8	2,145-9-1	1,576-6-8	4,194-5-4	3,721-15-9	- 472- 5- 7		
January, 1950	56-10 3/4	50- 0- 9	2,836- 4-1	33—8	1,898-8-2	1,358-10-6	4,194-14-7	3,257- 2-8	— 937-12- 11		
Feburary, 1950 upto 16-2-50	37-7½	43- 2-10	1,617-12-8	33—8	1,255-3-3	829- 7-2	2,447- 3-10	2,084-10-5	— 362—9—5		
	419-3½		17,195-5-6		14,043-13-5	8,115-8-10	25,310-14-4	22,159-6-3	3151—8—1		

Rs. 7/- for plain cloth and Rs.8/- to Rs.12/- per yard for laced silk cloth.

Rs.6/- for plain cloth and Rs.8/- to Rs.10/- for laced silk cloth.

A.T. Janakiraman,
Sericultural Expert.

P/Issue 7/12/51

68/7/12

Dev. (MI) Department.

Sub: Industries - Sericulture - G.S.F. Kollegal - Sale of Silk Fabrics - Transfer of raw silk to the weaving section at less than the market rates - Proposal of the D. I & C. - Approved.

Read: From the D. I & C. No.876/DI dated 27-6-1951.
" " " 18-10-51.

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G.O. MS. NO. 4040 DATED 2.12.51

The Government ratify the action of the Director of Industries and Commerce in permitting the transfer of 419 lbs. 3½ ozs. of raw silk produced at the Government Silk Filatures, Kollegal to the weaving section in the Filatures, during the period from 19th July 1949 to 10th February 1950 at a uniform rate of Rs.33-8-0 a lb. instead of at the prevailing market rates.

2. The D. I & C. is specifically informed that prior sanction of the Government should invariably be obtained in future in similar cases.

4.12.51 4129

To the D. I & C. . .
To the A.G. thro' Fin.
S.F. and S.C.

Compd 8.12.51

Dev. (MI) Department.

Sub: Industries - Sericulture - G.S.F. Kollegal - Sale of silk fabrics - Transfer of raw silk to the weaving section at less than the market rates - Proposals of the D. I & C.

Ref: From the D. I & C. No.876/D1/51 dated 27-6-51 18-10-51

To A.S.

The current file may be perused.

2. The practice in issuing silk produced at the G.S.F. Kollegal to the weaving section was to transfer the silk at the market rates. During the period from 19-11-49 to 31-12-49 silk was transferred at a uniform rate of Rs. 33-8-0 a lb. when the market price was Rs.48 a lb. and the actual cost of production ranged from Rs.40-12-0 a lb. to Rs. 44-11-0 a lb. If market rates are taken into account the loss is Rs.807 and if cost of production is taken into account the loss is Rs.664 approximately. The A.G. considers that as the procedure followed has the effect of fixing issue prices below the cost of production and involves Government in recurring Financial loss the approval of the Government should be obtained in this case and in similar cases where issue rates are fixed below the cost of production. The D. I & C. reports that permission to transfer silk at Rs.33-8-0 a lb. during the period from 19-7-49 to 16-2-50 was given by him for the reason that if the silk had been charged at prevailing market rates, the production cost of fabrics would have been very high and there would have been no demand for silk fabrics at such high rates. During the period in question 419 lbs. 3½ ozs. of silk were issued. The loss in selling fabrics on the basis of production cost of silk works out to Rs.3151-8-1 and on the basis of market rates Rs.6078-10-9. The Government have fixed the selling rate for plain silk fabrics at the cost of production plus annas 8 a yard towards profit. If the selling rates on the basis sanctioned by the Government were higher than the market rates, the D.I & C. should have applied to Government for sanction for selling fabrics at lower rates. Instead of addressing Government in the matter, the D.I. & C. has permitted to

[redacted] action in
[redacted] lower the issue price of silk to weaving section. The DIC's action in regulating the issue price of silk with a view to [redacted] selling price of fabrics within the market rates seems to be irregular. This may be pointed [redacted] out to him and his action in permitting the transfer of silk [redacted] at Rs.33-8-0 a lb. may be ratified. For orders.

The remarks of Dev may be noted.

13/11/51

Dev

13/11/51

Devlo 75387 MI/ST-3

ADDITIONAL SECRETARY
84037
14 NOV 1951
FINANCE DEPARTMENT

Dev (Acctt)

The proposal of Dev. at M above may be accepted. The DIC may be told specifically that the price sanctioned by the Govt. should ordinarily be obtained in future in similar circumstances.

Dev
27/11/51

SECOND ASSISTANT SECRETARY TO GOVERNMENT
27 NOV 1951
GOVERNMENT DEPARTMENT

129415

Dev
24-11-51

Dev (MI) Offg

Note

Finance notes above may be perused. The suggestions at M above may be accepted. A draft order is submitted for approval.

Offg
30/11/51

30/11/51

S 1.12

Approved